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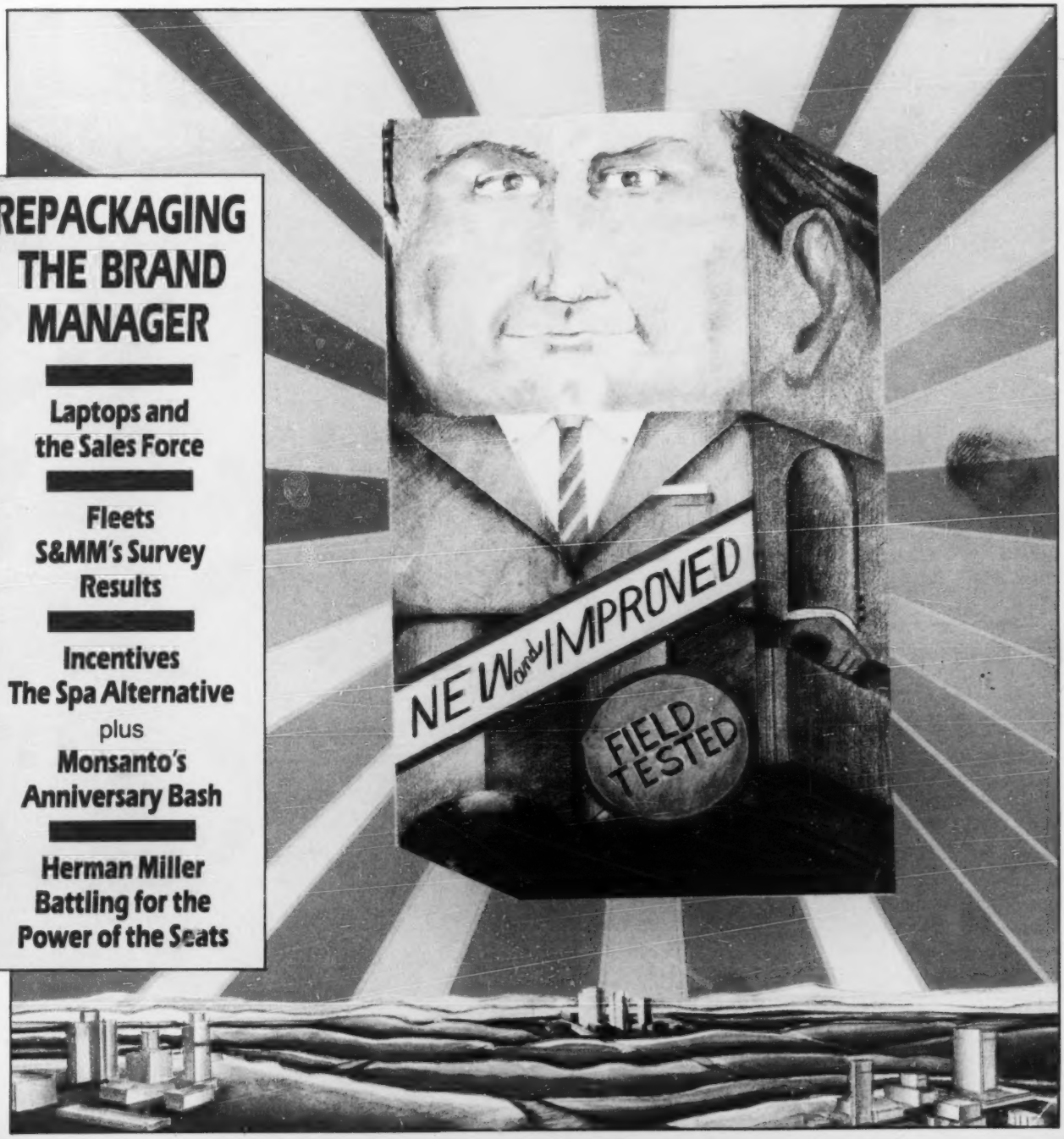
Sales and Marketing MANAGEMENT



REPACKAGING THE BRAND MANAGER

Laptops and the Sales Force

Fleets
S&MM's Survey Results

Incentives
The Spa Alternative

plus

Monsanto's Anniversary Bash

Herman Miller
Battling for the Power of the Seats

Sales and Marketing
MANAGEMENT
Established 1918

Contents / April 1987

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Cover:
Today, the local marketplace is where brands live or die. As a result, brand managers are being reshaped to conform to new rules.
Cover illustration: Frank Sargenti

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Chief Mort Zuckerman, pollster George Gallup Jr., and CBS's Charles Kuralt were just a few of the big names on hand to address the assembled throng of roughly 1,500, but the real meat was supplied by speakers like McCann-Erickson's Robert Coen, Ogilvy & Mather's Graham Phillips, and J. Walter Thompson's Rena Bartos.

Bartos's presentation, "The changing consumer marketplace: Five trends that will redefine marketing and advertising," provided conference-goers with an overview of coming changes in economic and demographic areas, highlighted by the following trends:

Trend 1: The changing economy, says Bartos, shows that we are moving toward a two-tiered system where "an increasing amount of income is concentrated among the upper third of households." In addition to this trend in income, Bartos also sees a continuation of the shrinking of the nation's middle class and the emergence of a disadvantaged underclass due to a lack of educational and job-related opportunities.

Trend 2: The changing role of women has created four basic classes of female consumers, says Bartos. Briefly, they are: *stay-at-home housewives*, who "tend to be the oldest and least educated of any group"; *plan-to-work housewives*, who are "the youngest" and "most likely to have young children"; *just-a-job working women*, a group that Bartos says is getting "a little younger every year, as the plan-to-work housewives really go to work"; and *career women*, "differentiated by their education and affluence."

Trend 3: The concept of life cycle. Concerning the areas of marriage, earnings, parenting, and other life-cycle concepts, Bartos says statistics show that "not all career couples are young, trendy swingers," noting that "one in four two-paycheck couples are over 49 years of age." In addition, other surprising stats indicate that "only 33% of adults in the U.S. have children under 18 years of age living at home," and that "just 17% of all adults live the traditional lifestyle of breadwinner-husband/homemaker-wife."

Trend 4: The changing age composition of Americans reveals the existence of something Bartos labels "the invisible consumer market," defined as those over age 49. The three subgroups within this segment that have potential as consumers are "active affluents who are still at work; active retireds who are above poverty and in adequate health; and housewives," who, Bartos says, "never retire," although "their consumer needs change as

S&MM marketgraph

VCRs: Advertising medium waiting to be born?

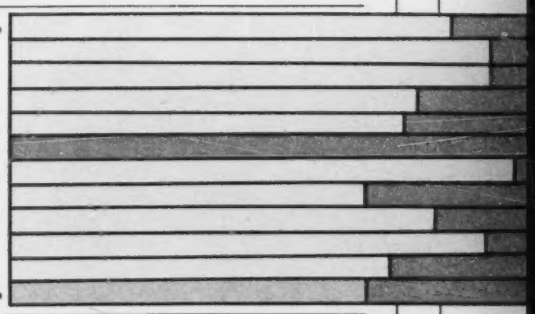
Major advertisers anxious to exploit the videocassette recorder boom will intensify their efforts, as new data show significant VCR penetration in the nation's largest TV markets. A.C. Nielsen reports that as of last November, more than half the TV households in 6 of the top 10 TV markets had VCRs, and the penetration rate in all but one of these 10 markets topped the U.S. average of 43.5%.

A few advertisers, such as Canon, Outward Bound, and Red Lobster, have dipped into the video waters with "how-to" cassettes that target specific audiences. And in a move that's bound to be followed by others, Pepsi has paid handsomely to have its jet plane TV commercial inserted at the start of the recently released videocassette of *Top Gun*, backing the spot with a multimillion-dollar support program.

Spurring these advertisers is the desire to capture the growing number of consumers who spend more time with their VCRs and less time watching regular programming. While videophiles spend a good deal of their time recording network fare, this doesn't necessarily guarantee the advertiser a second shot. As Ronald B. Kaatz, senior vice president of J. Walter Thompson, told a recent Assn. of National Advertisers TV workshop, "Half of the home videophiles delete most or all commercials during taping, and on playback sixty percent zip past them."

Making inroads in the biggest markets

Top 10 TV Markets	% VCR Penetration
1. New York	52.5%
2. Los Angeles	56.4
3. Chicago	56.3
4. Philadelphia	48.1
5. Boston	47.3
6. San Francisco-Oakland-Santa Rosa	59.7
7. Detroit	42.1
8. Dallas-Fort Worth	51.4
9. Washington, DC	56.1
10. Houston	45.2
U.S. Average	**43.5%**



Source: A.C.Nielsen Co., *Station Index*

mailed to the field or picked up at the regional office," explains John Hanlon. "The process was cumbersome and took too long, as much as two weeks. Now, with their Hewlett-Packard Portable Plus, they access the host computer for the information they need and know it reflects activities up to the previous day. Because the information is up-to-the-minute, they can service the customer better and build a stronger relationship."

Some marketers hope to pyramid the portable computer's benefits with portable printers. Anaquest's reps tote Hewlett-Packard ThinkJet printers along with their laptops. "Our computer-base educational training programs are very popular with physicians and anethesiologists," explains John Cordio, senior systems analyst. "When they see something during a demonstration that they think will be helpful, the reps make a printout, which they can refer to in the future."

Interestingly, most marketers are taking the plunge into portables as a leap of faith that their investment will ultimately pay off and don't feel that formal monitoring programs are needed to document measurable results. Hercules Chemicals' Gregory Vermeychuk states the consensus: "We're dealing with professionals, not clerks. It's not the same as with a secretary, when you compare the number of documents she prepares on a word processor as opposed to a typewriter. The salesperson isn't out there to make the most calls in the minimum time; instead, he's out there to bring in business. We can point to specific instances where we got the business because the rep had a portable in the field."

James Huguet feels most marketers are proceeding on "gut feel; they feel it's something they have to get into, that the hardware and software improvements will ultimately produce the benefits."

One of the few who took a stab at developing quantifiable measurements is Du Pont's James Mercante. "Prior to our pilot, the reps did a time and motion study for two weeks, using a beeper that reminded them several times during the day to record their activity at the moment. Later, after fifty reps in two pilot districts had used IBM Convertibles for some time, we had them repeat the time and motion study. We made some return-on-investment estimates based on the two studies, and, frankly, the results were so good that we had to be extra conservative when extrapolating the data to cover our entire sales force."

As the pace-setting marketers score a competitive edge in their respective industries, rivals will be under mounting pressure to play catch-up. Furthermore, falling prices and increased functions will expand the portable's appeal to a wider base of prospects.

A new Frost & Sullivan, New York City, report, *Portable Computers*, predicts, "Prices [in constant 1985 dollars] will decline an average fifteen percent per year due to technology cost reductions. The cost of computing power is declining even faster than fifteen percent, since systems are increasing in capabilities and functionality at a more rapid rate than the accompanying price decline." And, as prices fall, converts will rise.

Thayer C. Taylor, Senior Editor

Portable's market: '87 a critical turning point

"Sales personnel are probably one of the largest occupational users of portable computers," says Peter Teige, an industry analyst with Dataquest, a San Jose hi-tech research firm. "Prices have come down quite a bit the last two years, to between two thousand and three thousand dollars, depending on options. At that level, corporations are willing to outfit their sales forces with laptops."

While prices will continue to drop, he adds, "system improvements will make prices relatively stable in terms of the average purchased system."

The portable's major challenge will continue to be "achieving price competitiveness with desktops," contends Steve Bosley, an industry analyst with International Data Corp., of Framingham, MA. "For every portable, there's an equivalent desktop at half the price. Vendors must narrow that gap if the market is to grow."

A Frost & Sullivan report, *Portable Computers*, questions how much of the price gap can be narrowed. "Assuming that price is still the most important determinant," the report states, "briefcase-size and lap-size portables are still overpriced for their performance. This stems from the fact that external storage devices, conversion software programs, and other elements necessary to make a full-function, integrated computer system brings the cost to well above what one would pay for comparable power in a desktop package."

The Gartner Group's William Kirwin thinks "this year could be the year price/performance reaches the critical mass point. When prices of full-function portables edge under two thousand dollars, market forces will take hold and the machines will become more widely accepted."

Along with lower prices, users of portables can expect a continuing flow of technological improvements. According to Dataquest's Teige, "Portables will become lighter, faster, and have batteries that last longer and recharge faster. Screens will keep getting better, and there's an outside possibility color displays will reach the market three years out. Floppy disks could be replaced by integrated circuit memory cards the size of a credit card, with built-in programs. They'll require much less power than today's storage devices, thus batteries will last much longer and many of the problems that occur when disk drives are banged around will be eliminated."

Further down the road: Compact optical disks (CDs) as the storage medium. Combining text, data, video, photos, and sound, the CDs will put several kinds of databases at the sales rep's disposal, enhance his sales presentations, and include a variety of teaching aids.

The outlook for portables

(Unit shipments, U. S. market)

	1985	1986	1987	1990
High end	88,000	219,000	374,000	1,171,000
Low end	120,000	74,000	62,000	124,000
TOTAL	208,000	293,000	436,000	1,295,000

Source: Dataquest.

Fleets: S&MM's Survey Results

Keeping salespeople on the road

As operating costs take off, sales managers look for ways to hold down the bottom line.

Sherwin Klein, corporate vice president of sales at Accra Pac Group, an Elkhart, IN, contract packager, is concerned about his company's rising fleet costs. "It's not so much the sticker price of the car," he says. "It's the cost of the maintenance. The price of keeping cars serviced properly just keeps on going up and up."

Klein is not alone. More than half of the sales and marketing executives and fleet administrators surveyed by S&MM said maintenance and operating costs make up their biggest worries when it comes to managing fleets (see charts). "The rising price of repairs is scary," says Bob Siler, president of Sales Force Companies, a Schiller Park, IL, manufacturers' rep firm. "We are really concerned about that and our insurance rates."

While executives cite a variety of reasons for escalating operating costs, many feel poorly made cars bear much of the blame. Patricia Keating, director of marketing at Heike Design Associates, a Milwaukee architectural and design firm, says problem automobiles, more than constant use, have deeply cut into the company's operating costs. "We lease American-made cars and the only reason I think we have problems is because of their quality and design."

Klein agrees, drawing on personal experience to explain the troubles his company has had with its fleet: "I had a car whose engine I had to replace after 11,000 miles."

Still, the survey shows that even those who are unhappy with the quality of domestic cars are reluctant to switch to imports. In fact, only one of the people surveyed said he was considering foreign cars for his fleet. The reasons, however, may have more to do with politics than automobiles. Says one company president: "I'd really consider them [imports], but I can't very well tell someone to buy American and pull up in a Datsun."

To counter rising costs and poor service (the survey showed 29% considered the maintenance they received from suppliers less than adequate), executives are looking at their service agreements more carefully. Klein, for example, recently dropped his maintenance contract because he found the price was too high. Others say they're leaving maintenance up to the individual salespeople or are changing their fleet agreements altogether. A.J. Montemarano, vice president of sales and marketing at Daniel Radiator in Houston, recently decided to forgo the usual leasing maintenance agreement in favor of a local operator. So far, he says, he has received better service at a more reasonable price. "The cost from the leasing company was just out of line. Judging from its prices, I don't think it knows its markets very well."

And Keating, whose company is in the process of switching from leasing to owning its fleet, says new tax laws are only part of the reason for the change; the service the company received from its leasing company wasn't good. "It never went out of its way to answer questions. It was real production-line service."

Tom Ellis, the general sales manager of General Extrusions, a metal company in Youngstown, OH, was also unhappy with the service he was getting. His company still leases but changed suppliers from Avis to Associates Leasing and now has a two-year fixed lease instead of a 60,000 miles agreement.

"We were finding that we were getting 100,000 miles and more over two years on some cars," he says. "And the cost of maintenance was getting too high; on a few of the cars it seemed we were spending $500 every other week. Also, the service was real poor. If there was ever an accident and we had to bring the car in to be fixed, it took a long time to get resolved." However, not all respondents were dissatisfied with their supplier's maintenance. Says one executive: "We demand and get excellent service from our leasing company."

People responsible for fleets are also researching automobile records closely. Some respondents say they ask manufacturers for latest ratings

What sales managers look for . . .

and performance history. However, Raymond Colombo, president of L. Fishman & Sons, an industrial tool wholesaler/distributor in Baltimore, MD, goes one step further: he does his own research with the help of the annual auto report issued by *Consumer Reports*. "I look up the models and see what kind of repair history they have. It may not have this year's model, but you can spot trends. It beats guessing, which I think a lot of people do."

Despite the concerns about maintenance and operating costs, executives say they look first at price when actually choosing a car (33%), followed closely by maintenance/dependability (25%) and resale (23%). This marks a slight reversal from S&MM's 1985 fleet car survey in which resale was rated as more important than maintenance.

Not all criteria used for selecting a fleet are so practical, however. While only accounting for a small percentage of the responses (less than 0.5%), executives listed the following as critical factors: availability, trunk space, gas efficiency, image, automatic transmission, and seating capacity. Still others say they have little real choice in the cars they pick, either because of the whims of a superior or their customers. Says one: "GM is a client of ours so guess what we drive."

The survey also shows that companies are holding on to cars longer. A full 65% of those who responded to the question of car retention said that they're keeping their cars three years or more (the high was six years). In S&MM's 1985 survey, just over 50% said they kept their cars that long, and in 1982 the figure was slightly under 50%. Of those who go by mileage rather than time, the average was just over 55,000 miles before turning the car in.

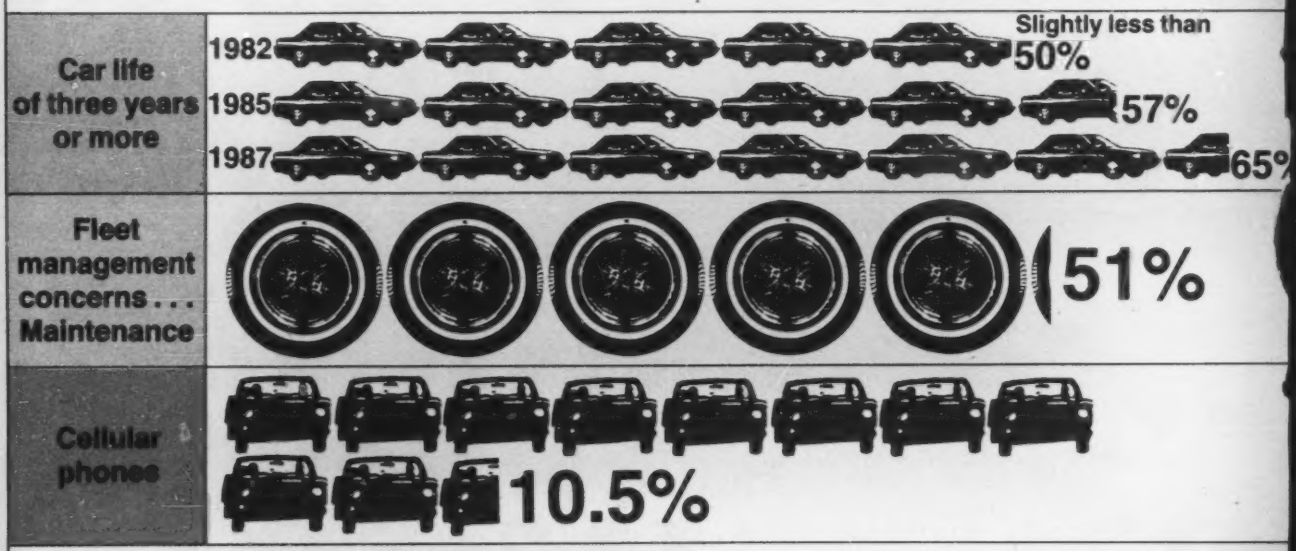
Safety training

As insurance rates and maintenance costs climb, executives say that driver safety is becoming more important. For example, 25% of those surveyed say they now offer some kind of safety program at work, with a handful of others saying they're considering it. Bob Higgins, manager of automobile services at Boots Pharmaceuticals, Shreveport, LA, oversees a fleet of 250 cars and says the company puts an emphasis on safe driving. "We don't have driver training courses per se, but safety is important to us, so we have monthly safety tips. We're also looking into some cassette tapes on safety procedures for people to play when they're driving." Higgins estimates that company cars are involved in one minor accident a month and a "few totallings" over the course of a year.

Another growing area for fleet car executives is cellular phones. Once considered a luxury for the upper echelon at a company, the telephones are becoming common as service becomes available in more areas. Also, as leasing companies make the phones an option, sales and marketing executives expect the phone's use to grow. Already, according to the survey, 10.5% equip their fleet cars with cellular phones and another 23% say they're looking into it.

One large company that has already gone the cellular route is Sea-Land, which started installing phones in its salespeople's cars last year. To date, the company has put them in 50% of their 300-car sales fleet and expects to outfit the rest of the cars by the end of 1987. "We did test marketing [of the phones] in Boston, L.A., and Chicago and were very happy with the results," says sales and marketing manager E.R. Berti. "Already we've seen a return on our investment, and we really expect them to pay off in the future."

Another 28% of respondents say they use car upgrades or options as a motivational tool, with one company going so far as to offer its top salespeople a choice of $45,000 luxury sports cars (see box at right). Such extravagant perks are rare, however, as most executives stick to more conventional automobile upgrades like bigger-size cars or more options, depending on a salesperson's performance and, in some



The best fleet in town

Tom Barry and Jack Finnell, two transplanted Easterners who started a Huntington Beach, CA, copier dealership four years ago, have a very expensive and very Californian fleet program—their top salespeople get their choice of a Jaguar, Porsche, BMW, or Mercedes. The company, Ameritech (1986 sales: $12 million), picks up the tab for the lease, insurance, and maintenance; all the salesperson has to do is select the car.

"People out here are in love with their automobiles," says 46-year-old chairman Tom Barry. "And with our freeway system, you spend a lot of time in your car."

Barry and his partner Finnell, who is the 41-year-old president of Ameritech, spent 15 years at Xerox, starting as salesmen before becoming sales managers. They learned a lot about copiers from the giant company, but perhaps even more about salespeople. "Young sales reps are materialistc," says Barry. "That's why they go into sales. When Jack was a young sales rep, he got a Corvette; when I was young, I got a Porsche. But in those days a Corvette was $6,000, a Porsche $12,000. Now a Porsche is a $30,000 to $50,000 car and not many young sales reps can afford that."

Ameritech's fleet program is simple. Make $40,000 in commissions and the salesperson gets to join the Chairman's Club, which entitles him to a luxury car. The company leases the auto for five years, and the salesperson gets to use the car anyway he likes as long as he continues to reach the $40,000 mark. If he slips below that figure, Barry and Finnell take the keys away. So far that hasn't happened, and 13 of the company's 52 salespeople have been able to drive away in expensive new wheels.

They love L.A.: Salespeople at Ameritech, a Southern California copier dealer, with luxury cars received for reaching company's sales goals.

The program costs Ameritech $168,000, but Finnell says it's worth every penny. "We've seen complete changes in behavior [among some salespeople]. They see the other reps driving the [Porsche] Carrera, and they want it so badly they become serious, disciplined salespeople."

What undoubtedly adds to the motivation is that the other 39 salespeople aren't given a car at all. Also, says Barry, even in California it's almost impossible for a young person to afford these cars—unless, of course, Mom or Dad buys it.

"It requires a terrific income to lease one of these cars. You can't go down [to a showroom] and say, 'Hey, I can afford a $600 payment, give me that car.' You have to have a tremendous amount of money."

The youngest salesperson to receive a car was 23 (he picked a Porsche), but it's also a motivator for some of the "older" salespeople. Steve Draeger, a 33-year-old Chairman Club member picked up his white Porsche Carrera two years ago. One speeding ticket and an $8,000 run-in with the curb later, he still loves it. "I probably never would have bought this car," he admits. "I'm not one of these guys with the Porsche gloves and floor mats; I couldn't even open the hood on the thing. But if I ever lost it, I'd probably get another one."

instances, his title and seniority. For example, one respondent allows trim on the car; another says "the best producers can pretty much get what they want" in the way of options. Typical, though, is Boots Pharmaceuticals' program, where Higgins says the company doles out options according to rank. "We'll give more options—things like power doors and so on—depending on the level of the person."

Despite tax law changes, only 18% of those surveyed are reevaluating their lease agreement; exactly half say they're either considering or in the process of going from leasing to owning, the other half from owning to leasing. And although fuel efficiency is not the consideration it was a few years ago, 25% are thinking about changing car size or model. Says Daniel Radiator's Montemarano: "I think the day when you used to see the sales rep driving the fully loaded LTD is over. We're going down to smaller cars, like the Buick Skylark and Dodge Aries. We still feel salesmen should have a four-door car for things like entertainment, but the key is a reliable, cost-efficient car."

Perhaps the most colorful part of the survey is the response to the question of options requested by salespeople—and what executives allow. Not surprisingly, 50% of the managers report that salespeople request AM-FM stereos/cassette players. Following close behind are: cruise control (35%); electronic door locks (31%); power windows (27%); and air conditioning (25%). Among the less "standard" options salespeople ask for are: cloth interiors, bigger engines, intermittent wipers, dual side mirrors (with inside controls, of course), bucket seats, alarms, and tinted windows. While few of these options are allowed, one sympathetic Texas respondent says he'll spring for the tinted windows because of the "Texas heat."

For their part, sales and marketing executives report they go along with the popular requests, such as stereos, door locks, and air conditioning, or give salespeople an allowance and let them choose what they want.

Bill Kelley, Senior Editor

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years of research his group has conducted with 50 of HP's biggest customers, he says, "The consumer goods rep, due to his call velocity of six to twelve calls per day, wants to get in and out of applications fast and change tasks rapidly. The industrial rep, making two to three calls a day, is much more interested in quantitative-type analysis and ad hoc reporting."

The difference reflects contrasting objectives. Staton-Smith says: "Because of a longer sales cycle, the industrial rep's goal is consultative selling; for the consumer rep, it's getting the order at once."

While consumer goods marketers are more interested in portables as part of an overall turnkey system, he says, industrial goods concerns, which have a higher rate of computer use, "view laptops as the finishing touch of integrated office information and support systems."

Clones replay white knight role

Chalk up another one for the IBM PC clones, although not all of them may be around to celebrate. Forrester Research, Cambridge, MA, sees PC shipments in the U. S. market squeaking up only 2.3% to 3.856 million this year. With the three heavyweights—IBM, Apple, and Compaq—projected to ship fewer units, the industry will end up on the plus side due solely to robust sales by Blue Chip and PC's Limited.

Clouding the industry's prospects, says research manager John C. McCarthy, is "uncertainty surrounding IBM's next generation of PCs and a shakeout among the clones. Users will defer buying until IBM rolls out its new machines, and a number of vendors will be squeezed out when prices of PC/XT and AT-class machines fall to $500."

However, he insists the clones "are here to stay" and adds that newcomers such as Hyundai, Daewoo, and PC's Limited will more than make up for weaker clones and that a new industry, made up of such companies as Phoenix and Chips and Technology, "sustains and nurtures the clone manufacturers."

McCarthy scoffs at predictions by industry leaders that sales will bounce up 20%-30% this year, saying "purchase plans are definitely slowing down. We asked one hundred sites how many PCs they'll have two

No joy in Armonk or Cupertino

Projected PC shipments in U. S. (000)

	1986 Units	% Share	1987 Units	% Share	1990 Units	% Share
IBM	1,311	34.8%	1,301	33.7%	1,386	31.3%
Apple	635	16.8	629	16.3	610	13.8
Compaq	251	6.7	245	6.4	273	6.2
Tandy	202	5.4	215	5.6	235	5.3
AT&T	150	4.0	147	3.8	154	3.5
Leading Edge	128	3.4	130	3.4	140	3.2
Zenith	117	3.1	111	2.9	127	2.9
PC's Limited	50	1.3	110	2.9	138	3.1
Hewlett-Packard	100	2.7	103	2.7	153	3.5
Epson	95	2.5	97	2.5	120	2.7
NCR	100	2.7	95	2.5	127	2.9
Wang	87	2.3	88	2.3	105	2.4
Blue Chip	50	1.3	81	2.1	125	2.8
NEC	70	1.9	73	1.9	103	2.3
Digital Equipment	43	1.1	45	1.2	127	2.9
Other clones	296	7.9	297	7.7	365	8.3
Other system vendors	83	2.2	89	2.3	136	3.1
Total	**3,768**	**100.0%**	**3,856**	**100.0%**	**4,424**	**100.0%**

Note: Companies sequenced by 1987 ranking.
Source: Forrester Research, *Professional Automation Report and Bulletin.*

years from now and their replies indicate a forty percent growth. Every other survey we did in the past showed at least a one hundred percent gain."

Sears bellies up to bar (codes)

The nation's biggest retailer, Sears Roebuck, will add bar codes to merchandise labels later this year and hopes to complete the program by the end of 1989. Michael Bozic, chairman, Sears Merchandise Group, says, "Considerable research [indicates] bar codes will improve customer transaction time and provide important marketing and inventory information that will allow us to respond more quickly to customer demand." Many Sears suppliers have been using bar code symbols in shipping and receiving activities.

While retailing to date has dominated bar code activity (see *The Great Scanner Face-Off*, S&MM, September 1986), the alphanumeric symbols' greatest future growth will be in service fields. A new report from International Resource Development, a Norwalk, CT, researcher, states: "The effort to contain spiraling costs will make the health care industry one of the fastest growing areas of bar code use in the late 1980s and early 1990s." Senior consultant Leslie Townsend notes that the Health Industry Bar Code Council is "pressuring suppliers

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Computer highlight

The scanner's diffuse impact

The intensity of the challenge that retail scanning data poses for grocery-product salespeople varies dramatically by geographic location. Scanner-equipped outlets account for three-fourths of food-store sales in Denver, for example, vs. roughly one-eighth in Charlotte. Significantly, three of the five top scanner markets are in the West while all of the five lowest are in the South.

Highest penetration . . .

Market	% of ACV*
Denver	75.4%
Los Angeles	70.4
Chicago	68.4
Seattle	65.3
Miami	64.8

and lowest

Market	% of ACV*
Charlotte	12.6%
Memphis	25.9
Oklahoma City	27.5
San Antonio	27.8
Richmond-Norfolk	31.0

*All-commodity volume (food-store sales)
Source: A.C. Nielsen, *1986 Nielsen Review of Retail Grocery Store Trends.*
ᶜSales and Marketing Management

into using bar codes on a vast range of medical supplies and equipment."

Libraries will become a large market for bar codes, she adds. "Approximately eighty percent of libraries now own one or more PCs," she says, and falling prices of library bar code systems—from the current $5,000 average to $3,500 by 1997—will spur the market. Other markets that offer potential growth: courier delivery service and warehousing.

A maturing industry

Systems	Shipments (Units) 1986	1990	Growth Rate 1982-86	1986-90
Large-scale	1,800	2,300	5.1	6.4
Medium-scale	26,900	41,500	17.6	11.4
Small-scale	232,100	387,480	10.7	13.7
PCs	6,633,000	10,120,000	23.0	11.2
TOTAL	6,893,800	10,551,280	23.0%	10.9%

Systems	Value Shipped (Mil.$) 1986	1990	Growth Rate 1982-86	1986-90
Large-scale	9,660	12,100	9.2	5.8
Medium-scale	9,250	14,300	13.4	11.6
Small-scale	8,360	12,880	10.1	11.4
PCs	14,559	21,617	37.0	10.3
TOTAL	$41,829	$60,897	17.1%	9.9%

Note: Data are for U.S. manufacturers shipping to the U.S. market.
Source: International Data Corp., *Computer Industry Review & Forecast: 1981-1990.*

When double-digit is not enough

Most industries would be happy if their crystal balls showed an annual 10.9% growth rate in the 1986-90 timeframe. But to the computer industry, which always marches to its own drummer, that kind of projection, as contained in a new International Data Corp. (IDC) report, *Computer Industry Review & Forecast: 1981-1990*, brings little cheer to marketers, especially when annual growth in the preceding four-year stanza zipped along at a heady 23% rate.

The sharp slowdown will spur a managerial transition from entrepreneur to professional manager, the Framingham, MA, research firm predicts. "As sales slow, the most pressing need is effective marketing," IDC reasons, "while leadership requires not an eye for the far horizon, but a squint at the bottom line. As the issues shift from meeting exuberant demand to managing resources and markets, management 'experts' are the ones who will be hired. For better or worse, the industry's future rests with the John Sculleys."

Thayer C. Taylor, Senior Editor

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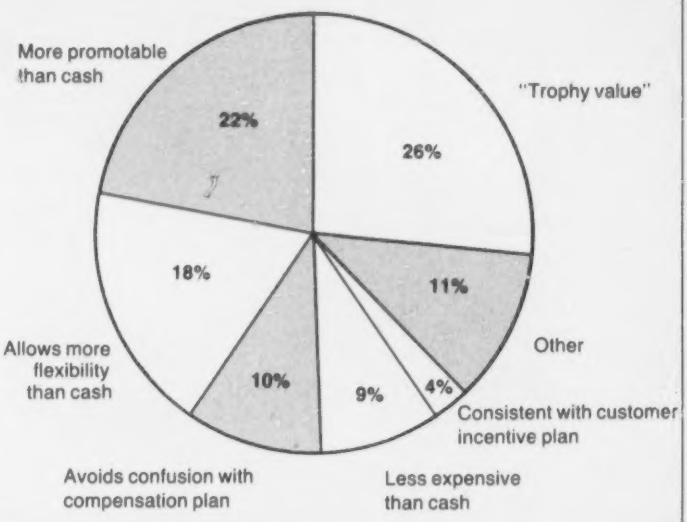
The rewards of noncash incentives

It's hard to quantify what motivates a salesperson, but the American Productivity Center (APC) gives it a good shot in a new report, *People, Performance, and Pay*, co-sponsored by the American Compensation Assn., the Xerox Foundation, and the consulting firm Towers, Perrin, Forster & Crosby.

In a survey of sales and marketing executives at 657 U.S. companies, the APC found that 56% of them used noncash incentives such as travel and merchandise to motivate their sales forces, while a smaller number, 48%, used special cash incentives. Why the preference for noncash awards? Because, respondents indicated, noncash incentives offer subtle, but real, advantages to the company.

Of those polled, the largest portion, 26%, cited the "trophy value" of a noncash award as the reason management selected it (see chart). The general feeling among this group of incentive users, says the study, is that an award winner may feel funny boasting about a $10,000 bonus but can easily show off a new car.

Why companies offer noncash incentives



Source: *People, Performance, and Pay*, American Productivity Center

Merchandise also reaps other benefits for the company sponsoring the program. Data from the study indicate that the tangible prize reminds the winner of the energy he put out for the award. "We find it's a regeneration process of thought, remotivating the person," says Jerry McAdams, author of the sales and marketing section of the study and vice president of Maritz Information Resources. "Later, when the winner looks at the television, he remembers not only how he earned it but who he earned it from."

Another 22% of the companies in the study chose noncash awards because they're more promotable than cash. Many respondents cited using noncash awards to both remind the participant of the incentive program goals and to play up the glamorous aspects of lavish merchandise and trips, something difficult to accomplish with money.

What's the best way to choose among all the incentive options available? That may not matter as much as clearly spelling out for participants what they must do to reach a certain award level. "Sales and marketing organizations would

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achieve even better results with more of a 'Do this, get that' approach to incentive pay and awards," says the report. "This would allow more employees to have a clearer understanding of how they can earn awards by improving performance."

In contrast, recognition programs don't improve performance, contends the report, because participants usually aren't aware of their status until after the fact and they often aren't sure of the decision criteria. Naming a salesperson of the year has its place, but it's rare when a salesperson can shoot for a specific goal to ensure winning the title.

Another section of the study is devoted to the numbers and kinds of incentive prizes typically earned. APC's research shows that more salespeople are apt to qualify for merchandise than trips or recognition awards. In a typical incentive contest, about 20% of eligible salespeople win merchandise awards. Only 10% of the sales population in the average company will win recognition awards, and a mere 5% will

Award breakdown

The authors of *People, Performance, and Pay* describe several types of incentives. Here are some definitions:

Cash Award: Money that is not part of the usual compensation plan; usually offered in return for specific performance during a specific time period.

Merchandise Award: A prize that is preselected or earned through the accumulation of points applied to a catalogue.

Travel Award: Group trips, often including business seminars.

Status Award: Club memberships, upgrades on company credit cards or automobiles.

Recognition Award: Items such as trophies, plaques, or company rings given more for symbolic purposes than for financial value.

For a complete copy of the report ($120), contact the American Productivity Center, 123 North Post Oak Lane, Houston, TX 77024 (713 681-4020).

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qualify for incentive trips. The report's conclusion here is obvious: Merchandise programs offer the flexibility of a variety of price points and are therefore most desirable when a company wants to motivate salespeople at all levels.

While APC's report concludes that noncash incentive contests are a reasonably safe stimulator of competitiveness among salespeople at a given company, it issues a caveat: "The creation of an internal competitive reward system within sales and marketing functions may focus employees on each other, rather than on the real competitor in the marketplace."

The authors recommend another option, encouraging sales executives to design plans that focus on competing in the market and not within the company. The survey data show that standard recognition and incentive programs reward only a few, creating winners and losers. "The game is set up so that only few can win," says the study. "Under those circumstances, many may decide not to play at all. We believe the key may be to convert recognition systems into ones that create role models or into performance improvement efforts in which 'winners' become 'earners.' "

Heidi A. Waldrop

Ms. Waldrop is a New York City freelance writer who frequently writes on sales incentives and other aspects of sales and marketing.

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